Universal Solar Technology, Inc.
Form 10-Q
November 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended September 30, 2009

o TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from __________ to __________

Commission file number: 333-150768

UNIVERSAL SOLAR TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	26-0768064 (I.R.S. Employer Identification No.)
No. 1 Pingbei Road 2, Nanping Science & Technology Industrial Park, Zhuhai City, Guangdong Province, The People's Republic of China (Address of principal executive offices)	519060 (Zip Code)

86-756-8682610
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerate filer, an accelerate filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," accelerated filer" and "smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock $0.0001 par value per share, as of November 4, 2009 was 22,574,974 shares.

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Except as otherwise required by the context, all references in this report to "we", "us”, "our", “Universal Solar Technology” or "Company" refer to the consolidated operations of Universal Solar Technology, Inc., and its wholly owned subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,477,053	$ 259,025
Prepaid expenses and other current assets	14,016	26,666
TOTAL CURRENT ASSETS	1,491,069	285,691
Deposits for future deliveries of equipment	791,113	-
Land use right, net of accumulated amortization of $8,809 and $0, respectively	414,034	423,420
Property and equipment, net of accumulated depreciation of $1,121 and $0, respectively	739,105	-
TOTAL ASSETS	$ 3,435,321	$ 709,111
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 68,390	$ 42,450
Due to related parties-current portion	3,632,302	749,298
TOTAL CURRENT LIABILITIES	3,700,692	791,748
Due to related parties- non-current portion	22,485	22,485
TOTAL LIABILITIES	3,723,177	814,233
STOCKHOLDERS' DEFICIENCY:		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding	-	-
Common stock, $0.0001 par value, 90,000,000 shares authorized, 22,574,974 shares issued and outstanding	2,257	2,257
Additional paid-in capital	493,092	416,273
Accumulated deficit	(792,390)	(503,904)
Accumulated other comprehensive income (loss)	9,185	(19,748)

TOTAL STOCKHOLDERS' DEFICIENCY		(287,856)		(105,122)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$	3,435,321	$	709,111

See notes to consolidated financial statements.

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UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS
(Unaudited)

	Three Months ended September 30, 2009	Three Months ended September 30, 2008	Nine Months ended September 30, 2009	Nine Months ended September 30, 2008
SALES	$ 31,609	$ -	$ 691,660	$ -
COSTS AND EXPENSES:				
Cost of goods sold	29,989	-	619,449	-
Selling, general and administrative expenses	120,418	157,863	282,615	361,940
TOTAL COSTS AND EXPENSES	150,407	157,863	902,064	361,940
LOSS FROM OPERATIONS	(118,798)	(157,863)	(210,404)	(361,940)
Interest expense-net	(55,869)	(7,244)	(75,674)	(13,244)
Gain (loss) on foreign currency transactions	11	-	(2,408)	-
NET LOSS	(174,656)	(165,107)	(288,486)	(375,184)
OTHER COMPREHENSIVE INCOME (LOSS):				
Foreign currency translation adjustment	45	8,221	28,934	13,923
COMPREHENSIVE LOSS	$ (174,611)	$ (156,886)	$ (259,552)	$ (361,261)
Loss per common share -basic and diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding -basic and diluted	22,574,974	20,962,408	22,574,974	20,659,672

See notes to consolidated financial statements.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
(Unaudited)

	COMMON STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	OTHER COMPREHENSIVE INCOME	TOTAL
BALANCE - DECEMBER 31, 2008	22,574,974	$ 2,257	$ 416,273	$ (503,904)	$ (19,748)	$ (105,122)
Imputed interest on loans from related parties	-	-	76,819	-	-	76,819
Foreign currency translation adjustment	-	-	-	-	28,933	28,933
Net loss	-	-	-	(288,486)	-	(288,486)
BALANCE - September 30, 2009	22,574,974	$ 2,257	$ 493,092	$ (792,390)	$ 9,185	$ (287,856)

See notes to consolidated financial statements.

UNIVERSAL SOLAR TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
OPERATING ACTIVITIES:		
Net loss	$ (288,486)	$ (375,184)
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest on loans from related parties	76,819	13,244
Stock issued for services	-	9,424
Depreciation of property and equipment	1,121	-
Amortization of land use right	8,809	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	12,650	(4,998)
Accounts payable and accrued expenses	25,940	(11,594)
NET CASH USED IN OPERATING ACTIVITIES	(163,147)	(369,108)
INVESTING ACTIVITIES:		
Deposits for future deliveries of equipment	(791,113)	-
Property and equipment additions	(740,226)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,531,339)	-
FINANCING ACTIVITIES:		
Sale of common stock	-	3,000
Loans from related parties	2,883,004	416,818
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,883,004	419,818
EFFECT OF EXCHANGE RATE CHANGES ON CASH	29,510	13,923
INCREASE IN CASH	1,218,028	64,633
CASH - BEGINNING OF PERIOD	259,025	91,184
CASH - END OF PERIOD	$ 1,477,053	$ 155,817
Supplemental disclosures of cash flow information:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

See notes to consolidated financial statements.

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UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009
(Unaudited)

1. INTERIM FINANCIAL STATEMENTS

The unaudited financial statements as of September 30, 2009 and for the three and nine months ended September 30, 2009 and 2008 have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-Q. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of September 30, 2009 and the results of operations and cash flows for the periods ended September 30, 2009 and 2008. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the three and nine months ended September 30, 2009 is not necessarily indicative of the results to be expected for any subsequent quarter or the entire year ending December 31, 2009. The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited financial statements should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2008 as included in our report on Form 10-K.

2. BUSINESS DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

Universal Solar Technology, Inc. (the "Company") was incorporated in the State of Nevada on July 24, 2007. The Company operates through its wholly-owned subsidiaries, Kuong U Science & Technology (Group) Ltd. ("Kuong U"), a company incorporated in Macau, Peoples Republic of China ("PRC") on May 10, 2007, and Nanyang Universal Solar Technology Co., Ltd. ("NUST"), a company incorporated in Nanyang, PRC on September 8, 2008. The Company sells solar photovoltaic ("PV") modules.

Basis of presentation
The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant inter-company accounts and transactions have been eliminated. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Currency translation
The reporting currency of the Company is the United States dollar. The functional currency of Kuong U is the Hong Kong dollar. The functional currency of NUST is the Chinese Yuan ("RMB"). Revenue and expense accounts of our two subsidiaries are translated into United States dollars at the average rates during the period, and balance sheet items are translated at year-end rates. Translation adjustments arising from the use of differing exchange rates from period to period are included as a separate component of shareholders' equity. Gains and losses from foreign currency transactions are recognized in current operations.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009
(Unaudited)

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USD at the rates used in translation.

Comprehensive income (loss)
Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by shareholders and distributions to shareholders. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income (loss) are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Comprehensive income includes net income (loss) and the foreign currency translation adjustment, net of tax.

Going concern
The financial statements have been prepared on a "going concern" basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. At September 30, 2009, the Company had negative working capital of $2,209,623 and a stockholders' deficiency of $287,856. Further, the Company has incurred net losses of $792,390 since inception. These factors raise substantial doubt as to the Company's ability to continue as a going concern. The Company plans to improve its financial condition by raising capital in a private placement of its securities. However, there is no assurance that the Company will be successful in accomplishing this objective. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

New accounting pronouncements
In June 2009, FASB established Accounting Standards Codification TM ("ASC") as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with the GAAP. The Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We adopted the new guidance for the quarter ended September 30, 2009, which changed the way we reference accounting standards in our disclosures. Adoption of the Codification is not expected to have a material impact on the Company's results of operations or financial position.

In May 2009, FASB issued new guidance establishing general standards of accounting for disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued, or subsequent events. An entity should apply the requirements to interim or annual financial periods ending after June 15, 2009. Adoption of this standard does not have a material impact on the Company's results of operations or financial position.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009
(Unaudited)

3. LAND USE RIGHT

On December 1, 2008, NUST acquired the right to use a parcel of land approximating 71,280 square meters for forty (40) years for its office and production facilities from the local government in the PRC. The cost of RMB 2,886,300 ($422,843 translated at the September 30, 2009 exchange rate) is being amortized using the straight line method over the 40 year term of the contract.

4. PROPERTY AND EQUIPMENT

As September 30, 2009, property and equipment, net, consist of:

Building construction in progress	$ 439,330
Production equipment	263,700
Office equipment	6,060
Automobile	31,136
Total	740,226
Less accumulated depreciation	1,121
Property and equipment- net	$ 739,105

5. DUE TO RELATED PARTIES

Due to related parties consists of:

	September 30, 2009	December 31, 2008
Due to Company's chairman and chief executive officer, non-interest bearing, due on demand (interest imputed at 5%)	$ 1,635,059	$ 698,836
Due to Zhuhai Yuemao Laser Facility Engineering Co., Ltd. (" Yuemao Laser") , a PRC company controlled by the Company's chairman and chief executive officer, non-interest bearing, due on demand (interest imputed at 5%)	1,997,243	50,462
Due to Company's chairman and chief executive officer pursuant to loan agreement dated November 2, 2008, interest at 5%, due November 1, 2013	22,485	22,485
Total	3,654,787	771,783
Current portion	(3,632,302)	(749,298)
Non-current portion	$ 22,485	$ 22,485

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UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009
(Unaudited)

6. RELATED PARTY TRANSACTIONS

In the nine months ended September 30, 2009, Kuong U purchased solar PV modules from Yuemao Laser at a total cost of $619,449 and sold the modules to two customers for total sales of $691,660 ($638,961 to one customer, $52,699 to the other customer.)

Kuong U rents its executive office space from the Company's chairman and chief executive officer under a four-year contract, from May 1, 2007 to April 30, 2011. In the first two years, May 1, 2007 to April 30, 2009, monthly rent is HKD 10,000 (approximately $1,290 translated at the September 30, 2009 exchange rate). In the second two years, May 1, 2009 to April 30, 2011, monthly rent is HKD 12,000 (approximately $1,548 translated at the September 30, 2009 exchange rate). Rent expense for the nine months ended September 30, 2009 and 2008 was $12,900 and $11,610, respectively.

7. MAJOR CUSTOMER

In the nine months ended September 30, 2009, one customer located in India accounted for approximately 92% of sales. Under the terms of these sales, the Company is obligated to replace nonworking modules for a period of one year from the date of deliveries.

8. INCOME TAXES

The Company has not recorded a provision for United States federal income tax for the period presented since it incurred net losses in such periods.

The Company's Chinese subsidiaries are governed by the Income Tax Law of the People's Republic of China concerning private enterprises, which are generally subject to tax at a statutory rate of 25% on taxable income.

As of September 30, 2009, the Company had approximately $105,000 and $575,000 of net operating loss carryforward for income tax purposes in the United States and China, respectively.

Based on management's present assessment, the Company has not yet determined it to be more likely than not that a deferred tax asset attributable to the future utilization of the net operating loss carryforward as of September 30, 2009 will be realized. Accordingly, the Company has provided a 100% allowance against the deferred tax asset in the financial statements at September 30, 2009. The Company will continue to review this valuation allowance and make adjustments as appropriate.

9. COMMITMENTS AND CONTINGENCIES

Prototype Product Development Agreement

On April 29, 2008, Kuong U entered into an agreement with Yuemao Laser whereby Yuemao Laser is to develop certain prototype solar energy products for Kuong U. Under the agreement, Kuong U is obligated to pay a royalty fee quarterly to Yuemao Laser equal to 1% of Kuong U's sales from the prototype products.

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UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009
(Unaudited)

Property and Equipment Agreements

As of September 30, 2009, NUST has contracted to acquire certain undelivered production equipment costing a total of approximately 18,191,300 RMB ($2,665,025 translated at the September 30, 2009 exchange rate). The agreements provide for NUST's payment of certain deposits prior to the delivery of the equipment. As of September 30, 2009, a total of 5,400,090 RMB ($791,113 translated at the September 30, 2009 exchange rate) has been paid to the vendors as deposits.

On May 21, 2009, NUST executed an agreement with a contractor to construct a building for its planned production facilities. The agreement provides for a total contract price of 5,300,000 RMB ($776,450 translated as the September 30, 2009 exchange rate). As of September 30, 2009, 1,698,000 RMB ($ 248,757) of the contract has been paid by NUST.

Vulnerability due to Operations in PRC

The Company's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 20 years, there is no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.

The PRC has adopted currency and capital transfer regulations. These regulations require that the Company comply with complex regulations for the movement of capital. Because most of the Company's future revenues will be in RMB, any inability to obtain the requisite approvals, or any future restrictions on currency exchanges, will limit the Company's ability to fund its business activities outside China or to pay dividends to its shareholders.

The Company's assets will be predominantly located inside China. Under the laws governing foreign invested enterprises in China, dividend distribution and liquidation are allowed, but subject to special procedures under the relevant laws and rules. Any dividend payment will be subject to the decision of the board of directors and subject to foreign exchange rules governing such repatriation. Any liquidation is subject to both the relevant government agency's approval and supervision, as well as the foreign exchange control.

In addition, the results of business and prospects are subject, to a significant extent, to the economic, political and legal developments in China.

While China's economy has experienced significant growth in the past twenty years, growth has been irregular, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of China, but may also have a negative effect on the Company. The Company's sales and financial condition may be adversely affected by the government control over capital investments or changes in tax regulations.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009
(Unaudited)

Foreign companies conducting operations in the PRC face significant political, economic and legal risks. The Communist regime in the PRC includes a stifling bureaucracy which may hinder Western investment. Any new government regulations or utility policies pertaining to the Company's PV products may result in significant additional expenses to the Company, Company distributors and end users and, as a result, could cause a significant reduction in demand for the Company's PV products.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing date of this Form 10-Q and has determined that there were no subsequent events to recognize or disclose in these financial statements.

Information Regarding Forward-Looking Statements

The following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to future events or our future performance. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this Form 10-Q.

Overview

Universal Solar Technology, Inc. was incorporated in the State of Nevada on July 24, 2007. It operates through its wholly owned subsidiary, Kuong U Science & Technology (Group) Ltd. ("Kuong U"), a company incorporated in Macau, Special Administrative Region of the People's Republic of China (Macau SARC) on May 10, 2007.

We are focusing on becoming a vertically integrated designer, manufacturer, and distributor of silicon ingots, wafers and high efficiency solar PV products. Currently we market high efficiency solar PV modules and sloar lighting systems while outsourcing the current production of these products to a related third party. We are developing our own vertically integrated manufacturing center based in Nanyang which is located in Henan Province in China. The manufacturing center is being built to allow for rapid integration and scalability across each production phase. The production departments will consist of silicon ingot production lines, silicon wafer production lines, PV modules and system production lines, and solar lighting assembly lines. The production departments are scheduled to be completed in phases. We expect all of the departments to be completed and operational by April 2010. As each production area completes testing and the initial launch of production, additional manufacturing lines, equipment and staffing will be added over time. We believe this vertically integrated manufacturing center, when completed, will enable us to compete aggressively with our competitors while avoiding potential disruptions to business and operations due to supply issues.

Limited Operating History; Need For Additional Capital

There is no historical financial information about us upon which to base an evaluation of our performance. We cannot guarantee that we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns due to price and cost increases in services and products.

To become profitable, we have to sell our products and generate revenue. In addition, because our new WFOE manufacturing setup in China will require additional investment, we are seeking both equity and debt financing to provide the capital required to implement our business plan in China.

We have no assurance that future financing will be available to us on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations into China. Equity financing could result in additional dilution to existing shareholders.

RESULTS OF OPERATIONS

Comparison of Three Months Ended September 30, 2009 to September 30, 2008

Revenue. We generated a $31,609 sales during the three months ended September 30, 2009. We did not generate any revenue for the three months ended September 30, 2008. Because our Nanyang manufacturing facilities have not been completed yet, we have minimized marketing efforts. We made outsource sales to two customers in the first quarter 2009, but none in the second quarter. In the third quarter of 2009, we made outsource sales to one of the first quarter's two customers.

Cost of Sales. Our cost of sales were $29,989 for the quarter ended September 30, 2009 compared to $0 for the quarter ended September 30, 2008.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $37,445 or 23.7% to $120,418 for the quarter ended September 30, 2009 from $157,863 for the same period in 2008. The decrease was mainly due to lower professional fees in 2009. The higher professional fees in 2008 were associated with our registration statement on From S-1 filed on May 9, 2008 which was declared effective on June 30, 2008.

Net Loss. Net loss increased by $9,549 or 5.8% from $165,107 for the quarter ended September 30, 2008 to $174,656 for the same period in 2009. The increase in net loss is mainly due to-the increase in imputed interest expenses resulting from higher loan balances.-

Comparison of Nine Months Ended September 30, 2009 to September 30, 2008

Revenue. Our revenue for the nine months ended September 30, 2009 was $691,660 compared to $0 for the nine months ended September 30, 2008. The increase was due to limited sales of products manufactured by a related party during the first and the third quarter in 2009.

Cost of Sales. Our cost of sales increased from $0 for the nine months ended September 30, 2008 to $619,449 for the nine months ended September 30, 2009. The increase was mainly due to expenses associated with the limited sales of products manufactured by a related party during the first quarter and the third quarter in 2009.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $79,325 or 21.9% from $361,940 for the nine months period ended September 30, 2008 to $282,615. This decrease was mainly due to the decrease of professional fees discussed above.

Net Loss. Net loss decreased by $86,698 or 23.1% from $375,184 for the nine months ended September 30, 2008 as compared to $288,486 for the nine months ended September 30, 2009. This decrease was mainly due to the decrease of selling, general and administrative expenses during the nine months ended September 30, 2009 and the limited revenue generated form the sales of products manufactured by a related party during the nine months ended September 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2009, we had total assets of $3,435,321 and total liabilities of $3,723,177 and we had cash of $1,477,053.

Net cash used in operating activities for the nine months ended September 30, 2009 was $163,147 which is a decrease of $205,961 from net cash used in operating activities of $369,108 for the same period in 2008. The reason for the $205,961 improvement was primarily to the $86,698 reduced net loss and certain adjustments to reconcile net loss to net cash used.

Net cash used in investing activities for the nine months ended September 30, 2009 was $1,531,339, an increase from $0 for the same period in 2008. This increase was due to deposits for future deliveries of equipment and acquisition of property and equipment.

Net cash provided by financing activities for the nine months ended September 30, 2009 was $2,883,004, compared to $419,818 from the same period in 2008. This increase was due to an increase in loans from related parties.

We are actively seeking additional external funding, but to date we have not consummated any financing transactions other than our public offering and transactions with related parties.

Without additional funding, the Company will not be able to pursue its business model. If adequate funds are not available or are not available on acceptable terms when required, we would be required to significantly curtail our operations and would not be able to fund the development of the business envisioned by our business model. These circumstances could have a material adverse effect on our business and result in our inability to continue to operate as a going concern.

CRITICAL ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant inter-company accounts and transactions have been eliminated. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Certain amounts included in the 2008 financial statement have been reclassified to conform to the 2009 financial statement presentation.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided in amounts sufficient to amortize the cost of the related assets over their useful lives using the straight line method for financial reporting purposes.

Nanyang UST obtained the right to use a parcel of land for its office and production facilities. Pursuant to the contract from the local government of the PRC, the contract expires in 2048. This land use right was recorded at cost and is being amortized over the life of the lease.

Maintenance, repairs and minor renewals are charged to expense when incurred. Replacements and major renewals are capitalized.

Impairment of long-lived assets
The Company accounts for the impairment of long-lived assets in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Research and development costs

Research and development costs are charged to expenses as incurred.

Deferred income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (ASFAS 109") which requires that deferred tax assets and liabilities be recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, SFAS 109 requires recognition of future tax benefits, such as carryforwards, to the extent that realization of such benefits is more likely than not and that a valuation allowance be provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

Currency translation

The reporting currency of the Company is the United States dollar. The functional currency of Kuong U is the Hong Kong dollar. The functional currency of NUST is the Chinese Yuan (”RMB”). Revenue and expense accounts of our two subsidiaries are translated into United States dollars at the average rates during the period, and balance sheet items are translated at year-end rates. Translation adjustments arising from the use of differing exchange rates from period to period are included as a separate component of shareholders’ equity. Gains and losses from foreign currency transactions are recognized in current operations.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USD at the rates used in translation.

Comprehensive income (loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by shareholders and distributions to shareholders. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income (loss) are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Comprehensive income includes net income (loss) and the foreign currency translation adjustment, net of tax.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 4T. Evaluation of Disclosure Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q (the “Evaluation Date”). The purpose of this evaluation is to determine if, as of the Evaluation Date, our disclosure controls and procedures were operating effectively such that the information, required to be disclosed in our Securities and Exchange Commission (“SEC”) reports (i) was recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were operating effectively.

(b) Changes in Internal Control over Financial Reporting. The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the Company’s internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, during the fiscal quarter covered by this report, and they have concluded that there was no change to the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K filed on April 10, 2009. We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially affect our operations. The risks, uncertainties and other factors set forth in our Annual Report on Form 10-K may cause our actual results, performances and achievements to be materially different from those expressed or implied by our forward-looking statements. If any of these risks or events occurs, our business, financial condition or results of operations may be adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Title of Document
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended
32.1	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002 (Chief Executive Officer)
32.2	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002 (Chief Financial Officer)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

	Universal Solar Technology, Inc.	
Date: November 13, 2009	By:	/s/ Wensheng Chen Wensheng Chen Chief Executive Officer
	By:	/s/ Ling Chen Ling Chen Chief Financial Officer (Principal Financial and Accounting Officer)